

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday March 19, 2009

DECISION ITEM D: Proposed Rule Changes to the Tennessee Rural Health Program

Staff Recommendation: (1) That the TSAC Board of Directors adopts Rule 1640-1-21, Tennessee Rural Health Program, as Proposed Rules.

(2) That the TSAC Board of Directors authorize the Executive Director to make any necessary technical corrections to these rules including changes suggested by the Tennessee Attorney General.

Background: The rule as currently written defines how awards are to be distributed in the first and second years. This change would recognize statutory requirements for distribution in years three through five.

Supporting Document: *Draft Rules of the Tennessee Student Assistance Corporation, Chapter 1640-1-21, Tennessee Rural Health Program.*

**RULES
OF
TENNESSEE STUDENT ASSISTANCE CORPORATION
CHAPTER 1640-1-21
TENNESSEE RURAL HEALTH LOAN FORGIVENESS PROGRAM**

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1640-1-21-.01 INTRODUCTION.

- (1) These rules implement the Tennessee Rural Health Loan Forgiveness Program authorized in T.C.A., Title 49, Chapter 4, Part 9 as amended by 2008 Tennessee Public Acts, Chapter 1142 (hereinafter called the Act). The Act establishes a five-year pilot program and makes provision for loans and loan forgiveness to Tennessee health care providers and dentists. Loan forgiveness requires the health care providers and dentists to locate and practice in a Tennessee health resource shortage area after becoming licensed to practice.
- (2) While the Act refers to the program as the “Tennessee Rural Health Act of 2008,” the Corporation interprets the Act as establishing a loan forgiveness program because the Act requires the recipient to sign a promissory note that stipulates a repayment obligation under certain circumstances. In order to avoid confusion, the working title of the program shall be the “Tennessee Rural Health Loan Forgiveness Program.”

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.02 DEFINITIONS.

- (1) Continuous Full-time Employment: Practicing in a qualified field as described in the Act.
- (2) Corporation: Tennessee Student Assistance Corporation (TSAC).
- (3) Deferment: A period of time in which the borrower’s payments may be postponed.
- (4) Eligible Postsecondary Institution: The term is defined in T.C.A. § 49-4-902.
- (5) Full-time Student: A student attending an eligible postsecondary institution and enrolled full-time according to the requirements of the eligible postsecondary institution.
- (6) Grace Period: The period of time that repayment is not required and ends twelve months after the borrower completes the program of study or the borrower no longer meets the Tennessee Rural Health Loan Forgiveness Program eligibility requirements.
- (7) Health Resource Shortage Area: An area determined as a health resource shortage area by the Department of Health, Office of Rural Health.
- (8) Loan Forgiveness: The partial or complete cancellation of a Tennessee Rural Health Loan, as described in these rules.

(Rule 1640-1-21-.02, continued)

- (9) Program of Study: An eligible postsecondary institution that offers:
 - (a) Doctor of Medicine (M.D.) degree; or
 - (b) Doctor of Osteopathic Medicine (D.O.) degree; or
 - (c) Doctor of Dental Surgery (D.D.S.) degree; or
 - (d) Physician Assistant program; or
 - (e) Masters or Doctoral Degree from a Nurse Practitioner Program.
- (10) Repayment Period: A period of not more than ten (10) years in which the loan will be repaid and shall begin at the end of the grace period, or when TSAC determines that the recipient has not complied with the minimum requirements of the Act.
- (11) Satisfactory Progress: A standard of progress toward completion of the program of study during which the borrower meets minimum academic requirements and progresses towards an advanced degree as required by the eligible postsecondary institution.
- (12) Semester: Fall, Spring, or Summer semester at an eligible postsecondary institution, if the institution is on a semester system, or the equivalent, if the institution is on a system other than a semester system.
- (13) Tennessee Rural Health Act of 2008: The loan forgiveness scholarship program referenced in T.C.A., Title 49, Chapter 4, Part 9 in 2008 Public Acts, Chapter 1142, § 21(a).

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.03 ELIGIBILITY.

- (1) In order to receive a Tennessee Rural Health Loan, a borrower must:
 - (a) Be a citizen of Tennessee; and
 - (b) Be a resident of Tennessee, as defined by regulations promulgated by the Tennessee Board of Regents for the state university and community college system, under the authority of T.C.A. § 49-8-104 where applicable, as of the date of application and on the date of reapplication for the loan each academic year; and
 - (c) Comply with the United States selective service system requirement for registration, as such requirements are applicable to the borrower; and
 - (d) Not be in default on a federal Title IV educational loan or Tennessee educational loan; and
 - (e) Be in compliance with federal drug-free rules and laws for receiving financial assistance; and
 - (f) Not be incarcerated; and
 - (g) Be admitted to and attend an eligible postsecondary institution seeking an advanced degree in an eligible program of study; and

(Rule 1640-1-21-.03, continued)

- (h) As a service obligation of this loan, the borrower agrees to:
 - 1. Practice medicine in a health resource shortage area after becoming a Tennessee licensed physician, osteopathic physician, or physician assistant or receiving a Tennessee certificate of fitness as a nurse practitioner one (1) year for each year of funding provided by the Tennessee Rural Health Loan Forgiveness Program and sign a promissory note that stipulates the cash repayment obligation incurred with interest if the service obligation is not fulfilled; or
 - 2. Practice dentistry in a health resource shortage area after becoming a Tennessee licensed dentist one (1) year for each year of funding provided by the Tennessee Rural Health Loan Forgiveness program and sign a promissory note that stipulates the cash repayment obligation incurred with interest if the service obligation is not fulfilled.
- (i) Maintain satisfactory progress in the program of study in which the borrower is enrolled; and
- (j) Complete the program of study in this five-year pilot program no later than spring 2013; and
- (k) Not accept any other financial assistance that carries with it a service obligation after graduation and receipt of the applicable license to practice medicine or dentistry, except for a service obligation in the United States armed forces, reserve, or the National Guard. The service obligation period shall not exceed six (6) years.

Authority: T.C.A. §§ 49-4-201, 49-4-904, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.04 AWARD AMOUNT.

- (1) Subject to the amounts appropriated by the general assembly and any provision of law relating to a shortfall in funds available for postsecondary financial assistance from the net proceeds of the state lottery, a Tennessee Rural Health Loan shall not exceed twelve thousand dollars (\$12,000) per academic year or the cost of tuition, mandatory fees, books, and equipment for the program of study, whichever is less.
- (2) No more than twenty-five (25) students shall be awarded a scholarship in the 2008-2009 academic year and no more than fifty (50) students shall be awarded a scholarship in the 2009-2010 academic year.
- (3) After consultation with the appropriate state agencies as required by the Act, TSAC has determined that the M.D. and D.O. programs shall have a combined ten (10) awards ~~per academic year for the first and fifth years of the program, and each program shall receive an equal number of awards~~ The remaining three programs of study shall each receive an equal number of awards in the first and fifth years of the program. In the event of an insufficient number of applications for a particular program of study, those awards will be made to the greatest shortage area according to the Department of Health, Office of Rural Health.
- (4) For the second, third, and fourth years of the program, the M.D. and D.O. programs shall have a combined twenty (20) awards per academic year. The remaining three programs of study shall each receive an equal number of awards in the second, third, and fourth years of the program., ~~with each program receiving no more than ten (10) awards. In the event TSAC receives an insufficient number of applications for a particular program of study, those~~

(Rule 1640-1-21-.04, continued)

awards will be made to the greatest shortage area according to the Department of Health, Office of Rural Health.

- (5) If an insufficient number of applications for all academic programs are received for the academic year, all applicants, regardless of the program of study, will be awarded provided they meet eligibility requirements and provide evidence of commitment to the program.
- (46) TSAC shall disburse the Tennessee Rural Health Loan funds directly to eligible postsecondary institutions, which shall in turn credit the scholarship recipient's account or disburse funds to the eligible scholarship recipient with payment at the beginning of each academic year.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.05 APPLICATION AND SELECTION PROCESS.

- (1) The applicant shall submit to TSAC an application and Promissory Note for a Tennessee Rural Health Loan for each academic year of postsecondary enrollment.
- (2) The application deadline for each academic year is September 1.
- (3) Each year that funds are available, preliminary rankings of applications will be made by the TSAC staff based upon established criteria and rankings determined by the Selection Committee, composed of representatives of the Department of Health, the Tennessee Board of Medical Examiners, the Board of Osteopathic Examination, the Committee of Physician Assistants, the Board of Nursing, and the Board of Dentistry. The TSAC Selection Committee will then review the top rated candidates to determine the final selections.
- (4) The factors used in the ranking of applicants shall include, but not be limited to, overall grade point average, upper division laboratory science grade point average, and Medical College Admissions Test, or Dental Admissions Test scores. Selection also will include evidence of commitment to this program and other such factors that shall be identified as relevant in meeting the goals and interests of the Act.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.06 INTEREST.

- (1) To the extent that such obligation is not met, the amount becomes a loan and must be repaid plus interest at nine percent (9%) per annum from the date of disbursement.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.07 REPAYMENT.

- (1) The Tennessee Rural Health Loan must be repaid unless cancelled as described elsewhere in these rules. Repayment will include the full amount of the loan received.
- (2) Repayment shall begin at the end of the grace period, and shall be in monthly installments over a period of no more than ten (10) years, provided that payments must be a minimum of one hundred fifty dollars (\$150) per month.

(Rule 1640-1-21-.07, continued)

- (3) Repayment for recipients who complete the plan of study shall begin in the first month following the end of the grace period, or upon demand by TSAC. Interest shall begin to accrue on the date of disbursement.
- (4) The Tennessee Rural Health Loan may be prepaid in whole or part at any time without penalty.
- (5) If the borrower of a Tennessee Rural Health Loan is determined to have received the award based on inaccurate application information, the full amount of the loan plus interest becomes due immediately.
- (6) If the borrower has any action against their licensure that would prevent them from obtaining or retaining their license the full amount advanced plus interest must be repaid. Repayment shall begin upon demand by TSAC.
- (7) If the borrower fails to complete an enrollment period for any reason, the eligible postsecondary institution shall apply its refund policy to determine whether a refund may be required and/or funds returned to TSAC. If the borrower withdraws after the refund period is over, the eligible postsecondary institution must follow the Return of Title IV guidelines, if applicable, to calculate any return of the Tennessee Rural Health Loan.
- (8) If a borrower issues a check, draft, warrant, or electronic funds transfer, which is subsequently returned to TSAC due to insufficient funds, a stop payment order by the issuer, or any other reason, the payment to which these funds was applied shall be reversed on the borrower's account. Additionally, TSAC may charge a reasonable service fee for such a transaction.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.08 DEFERMENT.

- (1) Deferments must be verified on a semi-annual basis. If requested, supporting documentation shall be provided to TSAC by the borrower. The borrower may be granted a deferment based on any of the following reasons:
 - (a) "Active duty service" in which the borrower is a member of the United States armed forces or mobilization as a member of the reserve components, but such period shall not exceed six (6) years.
 - (b) "Enrollment not seeking licensure" in which the borrower is still enrolled in an eligible postsecondary institution but is no longer enrolled in a program of study as described in the Act, but such period shall not exceed five (5) years or no later than spring 2013.
 - (c) "Enrollment seeking licensure" in which the borrower has not yet completed the requirements for the program of study and is enrolled at least full-time and making satisfactory progress at an eligible postsecondary institution, but such period shall not exceed five (5) years or no later than spring 2013.
 - (d) "Hardship" in which the borrower is not able to make payments, but such period shall not exceed two (2) years.
 - (e) "Period of training" in which the borrower is required to participate in for licensure as defined by the Department of Health, Office of Rural Health, including, but not limited to internship or residency.

(Rule 1640-1-21-.08, continued)

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.09 CANCELLATION/FORGIVENESS.

- (1) For each year of continuous full-time employment, the borrower shall receive a credit of one hundred percent (100%) of one (1) year's loan amount. Cancellation credit will be applied at the end of each year and upon receipt of verification of such service by the Tennessee Department of Health. Cancellation credit cannot be earned prior to completion of the advanced degree.
- (2) In order to receive cancellation credit, the borrower shall provide employment verification as required by TSAC.
- (3) Cancellation credit shall begin immediately following the grace period for which the loan was provided.
- (4) The debt shall be cancelled on the basis of conclusive evidence that the borrower has died or has been totally and permanently disabled and cannot perform the service obligation outlined in the regulations. The borrower is not considered totally and permanently disabled on the basis of a condition that existed prior to the loan application. If, at any time subsequent to an initial determination of disability, the borrower's condition improves to the point where a total and permanent disability no longer exists, TSAC may reinstate any outstanding debt previously cancelled.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.10 LEAVE OF ABSENCE.

- (1) A borrower may be granted a medical or personal leave of absence from attendance at an eligible postsecondary institution and resume receiving the Tennessee Rural Health Loan upon resumption of the borrower's attendance at an eligible postsecondary institution so long as all other applicable eligibility criteria are met. An eligible postsecondary institution may grant a leave of absence only for medical or personal reasons. Allowable medical or personal reasons shall include, but not be limited to, illness of the borrower, illness or death of an immediate family member, extreme financial hardship of the borrower or borrower's immediate family, a military obligation of the borrower or family member, or other extraordinary circumstances beyond the borrower's control where continued attendance by the borrower creates a substantial hardship. In the event an institution denies a borrower's request for a medical or personal leave of absence, the borrower may seek relief from the decision in accordance with Rule 1640-1-21-.11.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.

1640-1-21-.11 APPEALS PROCEDURE.

- (1) TSAC shall provide written notice to a borrower of an adverse decision relative to a borrower's application for scholarship or scholarship award. A borrower who disagrees with such decision and wants the decision reviewed must request a review of the decision in writing. The borrower's request for review must be received by TSAC within ten (10) business days of the date of the written notice provided by TSAC. Such request shall include a statement of the reason or reasons for the request for review and all information supporting the borrower's position regarding the decision.

(Rule 1640-1-21-.11, continued)

- (2) Generally, the ruling of TSAC's program administrator shall apply.
- (3) An individual who believes that the ruling of the program administrator was not in accordance with the published regulations and the Act may appeal within ten (10) business days to the authority of the TSAC's Appeals Panel for relief.
- (4) An individual who believes that the ruling of the TSAC's Appeals Panel was not in accordance with the published regulation and the Act may appeal to the authority of the Corporation's Board of Director's Appeal Committee. This is the final administrative remedy.

Authority: T.C.A. §§ 49-4-201, 49-4-902, 49-4-924, and 49-4-939. **Administrative History:** Public necessity rule filed October 23, 2008; effective through April 6, 2009.